

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Loyalty Program

Docket No. CP2020-166

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE NOTICE OF CHANGES  
IN RATES OF GENERAL APPLICABILITY  
FOR LOYALTY PROGRAM

(June 19, 2020)

The Public Representative hereby provides comments in this docket which was established to consider a Postal Service Change in Rates of General Applicability and associated classification changes for Priority Mail Express and Priority Mail to implement a new Loyalty Program.<sup>1</sup>

The Postal Service represents that , as required by 39 C.F.R. 3035.102(b), the Notice includes an explanation and justification for the changes, the effective date and a schedule showing new prices and related classification changes.<sup>2</sup> The changes are scheduled to take effect on August 1, 2020. *Notice at 1.*

Attached to the Notice is Governors Decision No. 20-2, which states the new prices are in accordance with 39 U.S.C. 3632 and 3633 and 39 C.F.R. 3035.102(b).<sup>3</sup> The attachment to the Governors Decision sets forth the price changes and includes dradt Mail Classification Schedule (MCS) language for Priority Mail Express and Priority Mail related to the Loyalty Program. *Id.*

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<sup>1</sup> United States Postal Service Notice of Changes in Rates of General Applicability for Loyalty Program June 5, 2020 (Notice).

<sup>2</sup> CP2020-166, PRC Order No. 5535, June 8, 2020.

<sup>3</sup> Notice, Decision of the Governors of the United States Postal Service on Changes in Rates of General Applicability for Competitive Products (Governors' Decision No. 20-2) May 28, 2020.

The Postal Service includes a non-public annex showing FY 2020 projected volumes, revenues, attributable costs, contribution and cost coverage for Priority Mail Express and Priority Mail. *Notice at 1.* The Postal Service states that a full rollforward forecast is not available, but it is filing supporting data for the affected products in accordance with Order No. 1062. *Id.* The Notice includes an application for non-public treatment of the attributable costs, contribution and cost coverage data in the unredacted version of the annex, as well as the supporting materials for the data. *Notice at 1-2.* The Postal Service filed a redacted, public version of the annex with the notice.

The Loyalty Program is intended to apply to Postal Service business customers using Click-N-Ship for Priority Mail Express and Priority Mail shipping at Retail Rates. *Notice at 2.* Beginning on August 1, 2020, the Postal Service will automatically enroll these customers in the Basic tier of the Loyalty Program. On January 1, 2021, the Loyalty program will be expanded to a three tier program based on each customer's shipping spending at Retail Rates in the previous calendar year. *Id.*

The three tiers are:

Basic (no minimum spending): Earn \$40 credit for every \$500 spent

Silver (at least \$10,000 spent): Earn \$50 credit for every \$500 spent

Gold (at least \$20,000 spent): Qualified for Commercial Base Pricing

In addition, to help customers whose volume declined because of the ongoing COVID-19 pandemic, all Loyalty Program participants will receive an additional one-time \$20 credit for shipping during the first two months of the program once participants ship at least \$500 at Priority Mail Express and Priority Mail Retail rates. *Id.* During the first year of the Loyalty Program, any new Postal Service Click-N-Ship business customers will receive a one-time \$40 "Welcome Bonus" credit upon shipping at least \$500 at Priority Mail Express and Priority Mail Retail rates. *Id.*

## COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the financial data filed under seal with the Postal Service's Notice and the Postal Service's Responses to Chairman's Information Request No.1.<sup>4</sup> Based upon that review, the Public Representative concludes that the implementation of the Loyalty Program does not constitute a new or transferred product, but rather a change in rates of an existing competitive product and thus continues to properly be assigned to the competitive product list. In addition, the Program is projected to generate sufficient revenues to cover costs during its first year thereby satisfying 39 U.S.C. § 3633(a).

*Requirements of 39 U.S.C. § 3633.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial data, the prices under the Loyalty Program are projected to generate sufficient revenues so as not to adversely affect the overall cost coverage from Priority Mail Express and Priority Mail as a whole during the initial year of the Program and therefore meet the requirements of 39 U.S.C. § 3633(a).

Finally, the Postal Service should file actual revenue and cost data for the Loyalty Program in a future Annual Compliance Report. If it does not, then the Commission should request such data. These data will permit the Commission to review the financial results for the Program for compliance with 39 U.S.C. § 3633(a). The Public

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<sup>4</sup> USPS Responses to Chairman's Information Request No.1, with Portions Filed under Seal, June 18, 2020.

Representative would also support a data reporting requirement at the mid-point of the first year of the program, if the Commission is so inclined.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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